

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EUR-25 L-03 SEC-03 INT-08 AF-10 PA-03

COME-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 EA-11 XMB-07 PRS-01

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R 131615Z SEP 73

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 8529

C O N F I D E N T I A L SECTION 1 OF 2 PANAMA 4953

EO 11652: GDS

TAGS: EMIN, PN, JA, UK, CA

SUBJ: CANADIAN JAVELIN COPPER CONCESSION, STATUS REPORT

REF: (A) STATE 180085

(B) PANAMA A-200 OF OCTOBER 31, 1972

PASS SEC GRIMES AND EXIMBANK

SUMMARY:

BEGIN CONFIDENTIAL: PERHAPS IN EXPECTATION OF AN INQUIRY FROM EXIMBANK ON POSSIBLE FINANCING OF CANADIAN JAVELIN'S CERRO COLORADO COPPER PROJECT, BOARD CHAIRMAN JOHN DOYLE CALLED ADCM TO PROVIDE INFORMATION CONCERNING STATUS OF THEIR CONCESSION AND FUTURE EXPECTATIONS. HE NAMED A NUMBER OF UK, CANADIA, U.S. AND SOUTH AFRICAN COMPANIES INTERESTED IN WHAT HE DESCRIBED AS THE WORLD'S LARGEST COPPER ORE DEPOSIT. LATER DISCUSSION WITH LARUSH, VICE PRESIDENT OF THEIR PANAMA SUBSIDIARY, PAVONIA S.A. REVEALED THAT NEGOTIATIONS WITH GOVERNMENT FOR EXPLOITATION CONTRACT GOING SLOWLY AND WOULD PROBABLY NOT BE CONCLUDED PENDING FINAL APPROVAL OF NEW MINING LEGISLATION (SEE PANAMA A-75 OF APRIL 9, 1973). ON SITE INSPECTIONS BY
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ENGINEERS FROM TWO JAPANESE FIRMS DURING PAST TWO YEARS

PRODUCED UNCERTAIN RESULTS. MINISTER OF COMMERCE AND INDUSTRIES PUBLICLY AND DIRECTOR GENERAL OF MINERAL RESOURCES PRIVATELY TO EMBOFF HAVE INDICATED THAT CLAIMS CONCERNING EXTENT OF CERRO COLORADO COPPER DEPOSITS NOT PROVEN TO GOVERNMENT'S SATISFACTION. END OF CONFIDENTIAL.

END OF SUMMARY.

BEGIN UNCLASSIFIED:

1. CANADIAN JAVELIN BOARD CHAIRMAN JOHN DOYLE CALLED ADCM TO INFORM HIM OF SITUATION REGARDING CERRO COLORADO COPPER EXPLORATION CONCESSION BELONGING TO JAVELIN'S SUBSIDIARY, PAVONIA S.A., AND ISSUED INVITATION TO VISIT SITE. AT DOYLE'S INVITATION EMBOFFS LATER CALLED ON PETER LARUSH, VICE PRESIDENT OF PAVONIA.

2. DOYLE STATED IT WOULD BE LARGEST COPPER MINE IN WORLD AND, ACCORDING TO LARUSH, WOULD PRODUCE INITIALLY 80,000 METRIC TONS OF ORE PER DAY AND EVENTUALLY 127,000 TONS DAILY. DOYLE SAID THAT, ACCORDING TO REPORT BY WATTS, GRIFFIS AND MCOUAT LTD., CONSULTING GEOLOGISTS AND ENGINEERS OF TORONTO, CANADA, SITE CONTAINED PROVEN RESERVES OF TWO BILLION TONS WITH TOTAL PROBABLY AROUND THREE AND A HALF BILLION TONS. HOWEVER, INSPECTION OF THEIR ORE RESERVES STUDY PUBLISHED JULY 12, 1973, SHOWS PROVEN ORE RESERVES AS OF MAY 23, 1973, OF 613.8 MILLION METRIC TONS, PROBABLE ORE RESERVES OF 304.7 MILLION TONS AND POSSIBLE ORE RESERVES OF 531.6 MILLION - TOTAL ESTIMATE ALL CLASSES OF 1.45 BILLION METRIC TONS GRADING 0.60370 COPPER AND CONTAINING 8.75 MILLION TONS OF COPPER. IF POTENTIAL RESERVES OF 1.84 BILLION ADDED, TOTAL REACHES 3.29 BILLION. A COPY OF THIS REPORT FURNISHED THE EMBASSY BY CANADIAN JAVELIN IS BEING SENT TO ARA-LA/PAN IN STATE AND MAY BE INSPECTED THERE BY INTERESTED U.S.G. AGENCIES. DRILLING REVEALED CORE OF AT LEAST 4,400 FEET. A STUDY BY STEVENS AND ASSOCIATES ALSO INDICATED ORE RESERVES OF FROM 2.5 BILLION TO 3.5 BILLION TONS. DOYLE INDICATED THAT SMELTING WOULD BE DONE IN U.S. RATHER THAN LOCALLY. OPERATION WOULD REQUIRE 160 MILLION LITERS OF WATER PER DAY
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WHICH WILL REQUIRE LENGTHY TUNNEL THROUGH MOUNTAINS FROM ATLANTIC SIDE.

3. LARUSH SAID THAT FIRST STAGE OF INVESTMENT WOULD REQUIRE \$350 MILLION WITH TOTAL EVENTUALLY REACHING \$550 TO \$600 MILLION. WRIGHT ENGINEERS LTD. OF VANCOUVER, CANADA, PREPARING FEASIBILITY STUDY WHICH WILL GO TO PRINT OCTOBER 1. 1973.

4. DOYLE SAID LETTER OF INTENT FOR CONSTRUCTION ALREADY ISSUED TO BROWN AND ROOT WHICH HAD TALKED TO EXIMBANK AND MADE APPLICATION FOR PRELIMINARY COMMITMENT FOR FUNDING OPERATION. FINANCING ALSO ARRANGED WITH BRITISH CLEARING BANK.

5. DOYLE AND LARUSH MENTIONED SEVERAL MINING FIRMS WHICH ARE INTERESTED IN PURCHASING EQUITY INTEREST IN JAVELIN PROJECT INCLUDING STANDARD OIL OF INDIANA, STANDARD OIL OF CALIFORNIA, KENNECOTT EXPLORATION SERVICE, NORANDA MINING LTD. (CANADA), AND ANGLO-AMERICAN CORPE OF SOUTH AFRICA. LATTER HAS ALREADY BECOME LARGEST SINGLE STOCK-HOLDER OF CANADIAN JAVELIN ALTHOUGH U.S. CITIZENS CONSTITUTE ABOUT 67 PERCENT OF STOCKHOLDERS ACCORDING TO LARUSH. HE INDICATED INTERESTED COMPANIES WOULD BE ALLOWED TO PURCHASE UP TO 49 PERCENT INTEREST.

6. LARUSH SAID THAT PROGRESS IN ARRANGEMENTS FOR EXPLOITATION CONCESSION WERE MOVING SLOWLY, IF AT ALL, AND THAT IT WOULD BE NECESSARY TO AWAIT FINAL APPROVAL OF REVISED MINERALS CODE BEFORE CONTRACT WITH GOVERNMENT COULD BE CONCLUDED. HE ADDED THAT NATIONAL GUARD COMMANDER AND CHIEF OF GOVERNMENT GENERAL TORRIJOS HAD INDICATED THAT HE COULD ARRANGE FOR COMPANY TO OBTAIN CONTRACT IMMEDIATELY BUT HAD ADVISED THAT IT WOULD BE BETTER IN LONG RUN IF COMPANY PATIENTLY WAITED THROUGH THE RED TAPE OF REVIEWS AND APPROVALS BY GOVERNMENT BODIES AS REQUIRED BY THE CONSTITUTION.

7. JAPANESE INTEREST: VISITOR LOG SHOWS THAT SUMITOMO SHOJI INTERNATIONAL LAST VISITED PAVONIA IN AUGUST, 1972, AND C. ITOH & CO. LTD. IN OCTOBER 1972. LARUSH SAID THEIR INTEREST WAS PRIMARILY FINANCING AND PURCHASE OF ORE RATHER THAN EQUITY PARTICIPATION. END UNCLASSIFIED. CONFIDENTIAL

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INFORMATION OBTAINED THROUGH JAPANESE EMBASSY INDICATED THAT SUMITOMO ENGINEERS PARTICIPATED IN DRILLING OF HOLE ABOUT TWO YEARS AGO AND NOTED THAT PRODUCT WAS VERY UNSTABLE WITH TOO MUCH SOIL MIXED WITH DISSEMINATION OF METALLIC COPPER ORE. FROM TIME TO TIME CORE APPEARED TO CONSIST ONLY OF DIRT. JUDGMENT WAS THAT TWO TO THREE YEARS MORE NEEDED TO DETERMINE IF DEPOSITS OF COMMERCIAL VALUE EXIST. SUMITOMO INFORMED JAPANESE EMBASSY THAT ALL INTEREST IN PROJECT NOW ABANDONED. C. ITOH SENT FIVE ENGINEERS TO SITE FOR TEN-DAY PERIOD LAST OCTOBER WHO PARTICIPATED IN DRILLING OF HOLE. THEY REPORTED GOOD RESULTS AND VERIFIED THAT DATA RECORDED BY PAVONIA ENGINEERS ACCURATELY REPORTED. C. ITOH REPRESENTS CONSORTIUM OF JAPANESE FIRMS INCLUDING DOWA MINING COM.,

NIPPON MINING CO. AND MITSUBISHI. C. ITOH RETAINS
INTEREST IN PROJECT ALTHOUGH DUBIOUS OF PUBLICITY GIVEN

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ACTION ARA-20

INFO OCT-01 ISO-00 EUR-25 L-03 SEC-03 INT-08 AF-10 COME-00

SPC-03 AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00

SS-15 STR-08 OMB-01 CEA-02 EA-11 XMB-07 PA-03 PRS-01

USIA-15 CIAE-00 INR-10 NSAE-00 DRC-01 /191 W

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OUT BY JAVELIN AND CONCERNED ABOUT FINAL CONTENT OF
REVISED MINERALS CODE. C. ITOH ALSO INDICATED LAST
OCTOBER THAT ABOUT TWO MORE YEARS AND CONSIDERABLY
MORE INVESTMENT WOULD BE REQUIRED TO OBTAIN
DEFINITE PROOF THAT CERRO COLORADO CONTAINED COPPER
DEPOSITS OF COMMERCIAL VALUE.

8. IN JUNE 1973, AFTER THE PUBLICATION OF SEVERAL
NEWSPAPER ARTICLES WHICH DESCRIBED THE CERRO COLORADO
DEPOSITS AS THE LARGEST IN THE WORLD, MINISTER OF
COMMERCE AND INDUSTRIES MANFREDO ANSWERED A REPORTER'S
QUERY BY SAYING THAT, NOTWITHSTANDING THE INDICATIONS
THAT THERE MAY BE A LARGE COPPER DEPOSIT, THE GOVERNMENT
DOES NOT HAVE EVIDENCE TO SUPPORT THE TYPE OF CLAIMS
BEING MADE. THE PUBLICATION OF THE MINISTER'S STATEMENT
WAS APPARENTLY AT LEAST PARTIALLY RESPONSIBLE FOR TEMPORARY
WITHDRAWAL BY CANADIAN JAVELIN OF THEIR STOCK FROM TRADING
ON THE NEW YORK EXCHANGE. ON JULY 31, THE MINISTRY'S
DIRECTOR GENERAL OF MINERAL RESOURCES TOLD EMBOFF THAT,
ALTHOUGH HE WAS OPTIMISTIC ABOUT PROSPECTS OF THE AREA,
JAVELIN HAD NOT PROVEN TO THE GOVERNMENT THAT COMMERCIALY
EXPLOITABLE DEPOSITS OF COPPER EXIST AT CERRO COLORADO.

HE ADDED THAT, CONTRARY TO AN INTERVIEW WITH DOYLE IN
THE WALL STREET JOURNAL, NO NEGOTIATIONS ARE UNDERWAY
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AND NO CONTRACT IS ABOUT TO BE SIGNED. EMBASSY RECOMMENDS
EXIMBANK DISCUSS COMPANY HISTORY AND PRESENT SITUATION
WITH L.B. GRIMES, ENFORCEMENT DIVISION OF SEC PRIOR TO
MAKING ANY DECISIONS ON FINANCING CERRO COLORADO COPPER
PROJECT. END CONFIDENTIAL.
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